

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 ABF-01 SP-02 USIA-15 AID-05

NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 PA-02 PRS-01 OPR-02 FSE-00 /098 W

-----060427Z 074229 /66

R 052242Z APR 77

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 3065

INFO AMCONSUL MONTREAL

AMCONSUL TORONTO

ALL OTHER CONSULATES IN CANADA

UNCLAS OTTAWA 02411

E.O. 11652: N/A

TAGS: EFIN, CA

SUBJECT: EXCHANGE RATE DEVELOPMENTS IN MARCH; CANADIAN  
DOLLAR AND RESERVES CONTINUE TO DROP

REF: OTTAWA 1394

1. SUMMARY: FOREIGN EXCHANGE MARKETS FOR THE CANADIAN  
DOLLAR PERFORMED NERVOUSLY IN MARCH DUE TO UNCERTAINTIES  
IN PART ABOUT THE FEDERAL BUDGET AT THE END OF THE MONTH  
AND POSSIBLE BANK RATE CHANGES. INTERVENTION BY THE BANK  
OF CANADA LED TO A NET LOSS IN RESERVES OF \$178 MILLION,  
THE THIRD MONTHLY DECLINE IN A ROW. END SUMMARY.

2. THE CANADIAN DOLLAR PERFORMED NERVOUSLY IN MARCH  
WITH SEVERAL FLUCTUATIONS UP AND DOWN OF HALF A CENT OR  
MORE. A HIGH FOR THE MONTH OF .9602 WAS REACHED ON  
MARCH 2 AND A LOW OF .9463 ON MARCH 10, WITH MOST TRADING  
IN THE RANGE OF .948 TO .954. THE TREND DURING THE MONTH  
SEEMED TO BE SLIGHTLY DOWNWARD. THE AVERAGE DAILY VALUE  
OVER THE MONTH (23 TRADING DAYS) WAS .951, DOWN FROM .972  
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IN FEBRUARY.

3. RATE MOVEMENTS WERE ASCRIBED BY TRADERS TO ECONOMIC  
AND POLITICAL UNCERTAINTIES. THESE INCLUDED ANTICIPATION  
OF ANOTHER BANK RATE DECLINE (WHICH NEVER MATERIALIZED),  
AND SPECULATION OVER CONTENTS OF THE BUDGET ANNOUNCED AT  
THE END OF THE MONTH, ESPECIALLY THE DEGREE OF STIMULA-

TION IT WOULD CONTAIN AND POLICIES ON LIFTING WAGE AND PRICE CONTROLS.

4. MARKET REACTION TO THE BUDGET ANNOUNCED THE EVENING OF MARCH 31 WAS A FIRST POSITIVE, WITH THE DOLLAR RISING IN EARLY TRADING ON FRIDAY, APRIL 1, FROM ABOUT .948 TO .953. HOWEVER, LATER THAT DAY THE DOLLAR DECLINED AGAIN. TRADERS ASCRIBED THE DECLINE TO REACTION FROM THE ANNOUNCEMENT THAT DAY OF DEVALUATION OF SCANDANAVIAN CURRENCIES IN THE EUROPEAN SNAKE. THE DOLLAR ENDED THE DAY AT A LOW OF .9455, BUT RECOVERED SOMEWHAT THE FOLLOWING MONDAY, APRIL 4, TO .9479.

5. BANK OF CANADA INTERNATIONAL RESERVES DURING THE MONTH DROPPED BY \$178 MILLION TO \$5,094 MILLION (SEE TABLE). IN THE LAST THREE MONTHS TOTAL RESERVES HAVE DROPPED \$749 MILLION. THE BANK OF CANADA NOW HAS LOST ALMOST ALL OF THE GROUND IT GAINED BACK IN DECEMBER WHEN RESERVES WERE BUILT UP AGAIN AFTER THE NOVEMBER \$759 MILLION LOSS IN THE WAKE OF THE QUEBEC ELECTION.

6. CORRECTION. THE FIGURE IN THE FIRST LINE OF PARA 2 REFTEL, SHOULD READ 97.5 VICE 95.5

7. TABLE. BANK OF CANADA INTERNATIONAL RESERVES. FIGURES IN MILLIONS OF U.S. DOLLARS.

COMPOSITION . . . . . MARCH 31 . . . CHANGE FROM FEB.28

U.S. DOLLARS. . . . . 2,702.6 . . . . . (178.5)

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OTHER FOREIGN

CURRENCIES . . . . . 16.8 . . . . . 0.2

GOLD . . . . . 886.5 . . . . . 2.4

SDR'S . . . . . 549.2 . . . . . (3.5)

RESERVE POSITION IN IMF 939.0 . . . . . 2.6

TOTAL . . . . . 5,049.1 . . . . . (176.7) ENDERS

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NNN

## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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